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Introduction

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Introduction

In California history, the year 2003 will stand out as one of the state's most dramatic experiments with its version of "direct democracy." Although recall elections have occurred since the progressive reforms of the early 20th century, most in California had been limited to local government officials. But in 2003, for the first time, a gubernatorial recall not only was placed on the ballot but removed a sitting governor, Gray Davis. Clearly, there will be long-term political and economic repercussions of the recall and the election of Arnold Schwarzenegger to replace Davis.

What caused the recall? Various complaints about Gray Davis seemed to predominate. The electricity crisis of 2001, discussed in the 2002 edition of *California Policy Options*, was often cited, although it occurred before the 2002 re-election of Gov. Davis. General economic complaints were also part of the picture. As Tom Lieser notes in his chapter on the California economic outlook, employment performance in the months leading up to the recall was "lackluster." California has never gotten back to the growth trend of the early 1980s; the recession of the early 1990s left a permanent scar. And the UCLA Anderson forecast does not have California resuming its 1990s growth trend until 2005.

William Parent, author of the annual chapter on the political outlook for California, finds in the recall a challenge of leadership. The electorate was expressing a concern that state government was not attending to its basic business of providing services in a manner consistent with fiscal responsibility. Political paralysis, especially over budget issues, was all too apparent during the early summer of 2003, as the recall petitions were being signed and certified. However, many observers have noted that the voters themselves have made leadership difficult, in part through the use of another element of direct democracy, the initiative. It is argued that term limits and budgetary mandates, among other institutional arrangements, have compounded California's leadership crisis.

To the extent that the state budget was a major element in the recall, Hirsch and Mitchell note that the fiscal crisis took several years to build. As in prior editions of *California Policy Options*, Hirsch and Mitchell argue that the budget format lacks transparency and clarity, making policy-making difficult. Moreover, the fact that the budget was in deficit at the peak of the business cycle made fiscal crisis in the downturn a certainty. The authors describe a menu of possible fiscal reforms. And it is sure that dealing with the budget will remain a central preoccupation for the new governor and the legislature in 2004. The aftermath of past deficits, and the projection of future "structural" deficits, has reduced the ability of the state to borrow and threaten a cash shortage.

Thanks in part to Proposition 13, which has limited property tax receipts, school districts are heavily dependent on state funding. But when the legislature provides the funds, it tends also to make the rules. Thomas Kane notes that California has developed a strong interest in testing to determine if schools are doing their jobs. The idea of tests, combined (sometimes) with rewards and penalties based on test results, has become an important element of state policy. While such general notions as measuring performance and rewarding performance are appealing in the abstract, Kane points out that the methodological details play an important role in the actual operation of a measurement/reward system. Failure in system design can produce perverse results.

Schools in California have become a mixed local and state service due to fiscal realities. But policing – an essential public service – remains largely a local affair. The Los Angeles Police Department has experienced various changes in leadership and found itself home to periodic scandals. In his chapter on the LAPD, Wellford Wilms traces the Department’s history along both dimensions, particularly since the 1990s. Although issues related to the police attract more public attention than is the case for many other local services, ultimately the problems Wilms highlights come down to human resource management. Wilms draws policy lessons from recent history and presents direct evidence on the morale issue.

Public transportation is another service that is largely administered at the local level in California. Not surprisingly, then, the issue of crime and personal security is both a matter for the police and for transit policy. In their chapter on how the two issues are linked, Robin Liggett, Anastasia Loukaitou-Sideris, and Hiroyuki Iseki note that crime at transit stops is not simply a matter of neighborhood effects. Transit planners can design stops in ways that reduce crime (or aggravate it). If public policy in California is now tilting toward transit improvements to attract commuters and others from their private cars, then the issue of personal security must be built into transportation design.

Some argue that crime should be fought by attacking “root causes,” such as unemployment and poverty. Others argue that such causes cannot be easily addressed and/or that the connection between seeming root causes and crime is not easily demonstrated. Their conclusion is that arrest and incarceration should be the primary tools of crime suppression. Nonetheless, even when arrest and incarceration occur, in most cases the criminal will eventually be released back into the general society. What opportunities in the job market then exist for ex-cons? In their chapter on that topic, Harry Holzer, Steven Raphael, and Michael Stoll find that there is a job market for such individuals. However, there is also evident reluctance among employers to hire released convicts. The accuracy of background reports thus becomes an issue when Internet or other information resources are used.

Finally, whether considered a root cause of crime or not, poverty remains a major public policy issue in California. Paul Ong and Shannon McConville find that poverty in the Los Angeles area exceeds national rates. The business cycle is evident in year-to-year poverty rate fluctuations. However, structural forces seem to be shifting the rate of poverty in L.A. up relative to the nation as a whole. Part of the story relates to immigration, since new immigrants have notably higher poverty rates than natives or than immigrants who have settled into the local economy. Low levels of education, especially levels at high school or less, are associated with the rise in poverty rates. Thus, education advancement and integration into the local economy remain important instruments for poverty reduction.

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